

**GOVERNMENT OF NCT OF DELHI
DEPARTMENT OF TRADE & TAXES
VYAPAR BHAWAN, I.P. ESTATE, NEW DELHI-110 002**

No.F.6(70)/P-I/VAT/2010/1505-1515

Dated: 14.07.2010

CIRCULAR NO. 07 OF 2010-11

Subject : Processing of Refund Applications.

With the introduction of Delhi Value Added Tax Act, 2004, instructions/guidelines have been issued for processing of refund applications vide Circular No. 2 of 2008-2009, Circular No. 2, 3 & 8 of 2009-2010. The guidelines should be adhered to for processing of such applications. The instructions are reiterated once again. In addition to the above, the following points may also be kept in view while processing the refund cases:-

1. After receiving refund applications, notice u/s 59 of DVAT Act, 2004 may be issued for seeking information viz., sale/purchase detail, custom clearance certificate, shipping bill/airway bill etc. Sale/Purchase registers maintained in Form DVAT-30/31. The notice may preferably be issued within three days on receipt of application/return with refund, specifying therein all documents required for processing the refund claim.

2. Tax payment of all suppliers/selling dealers may be analyzed to substantiate the input tax credit claim of the refund claimant in the following format:-

Analysis of Input Tax Credit

| Sr. No. | Ward No. | TIN | Year of Registration | Name of Selling Dealer | Purchase Turnover | Amount of ITC | Tax Paid as per scroll |
|----------------|-----------------|------------|-----------------------------|-------------------------------|--------------------------|----------------------|-------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |

While analyzing ITC claimed by refund claimant, Assessing Authorities may come across cases in which the selling dealer/supplier may also have made local purchases and adjusted most of his output tax with his ITC. In such cases, AAs should analyze his purchase registers for the ITC claimed mainly to find out, "who has paid tax", for which the refund claiming dealer has claimed refund.

Information about non-functioning dealers may be sent to the concerned ward for initiating necessary action.

3. As far as possible, documents necessary for processing refund applications may be called for in one go.

4. Security may be prescribed wherever required in accordance with the provisions of section 38 of DVAT Act.

5. In cases where refund is generated on account of interstate sale/stock transfer against 'C' / 'F' forms, submission of statutory forms may be ensured invariably. Security, preferably in the form of Bank Guarantee may be prescribed for non-availability of complete forms. For the tax periods, for which date of submission of such forms has already expired, demand may be created for missing forms before processing refund applications.

6. Security can also be prescribed in cases wherein it has been found that dealer is building up stock in every tax period and sale is always less than purchases.

7. The receipt of Credit Notes may be examined carefully and it must be ensured that ITC is reduced proportionately resulting in corresponding reduction of refund claim. Similar treatment may be given to cash discount, quantity discount etc. The variation in purchase / sale turnover shown in balance sheet with that shown in periodical returns must be followed by corresponding variation in tax credit / output tax as the case may be. Provisions of section 2(1)(zd), section 10 & 51 of DVAT Act, 2004 & rule 45 of DVAT Rules, 2005 may be kept in mind while examining such refund application.

8. Attachment of pink or yellow slip on the returns with refund claim will continue to be in operation in the usual manner for identification of refund cases.

9. Refund applications / returns with refund for any tax period can also be checked from reports in Refund Processing System (RPS) Module for initiating necessary action.

10. TDS Certificates issued by contractees may be checked carefully. Payments made by contractee for which the refund claimant is availing credit may also be checked through tax scroll.

11. Findings of Audit / Enforcement Branch may also be kept in view while processing refund applications for a tax period.

12. Physical verification / information of suppliers registered in any ward wherever necessary will continue to be undertaken in the usual manner as circulated vide Circular No. 8 of 2009-10.

(Naveen Katarya)
VATO (Policy)

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1. PS to Commissioner (T&T), Dept. of Trade & Taxes.
2. All Spl. Commissioners, Dept. of Trade & Taxes.
3. All Addl./Joint Commissioners, Dept. of Trade & Taxes.
4. Jt. Commissioner (PR/Adv.), Dept. of Trade & Taxes.
5. All VATOs/AVATOs of all Wards of Operations through Zonal In-charges Dept. of Trade & Taxes.
6. All VATOs/AVATOs, Front Office/CRC Cell/PR Branch/TPS/Legal Service Cell/CFC, Dept. of Trade & Taxes.
7. Manager (EDP), Dept. of Trade & Taxes with the request to put the circular on the website of the department.
8. Dy. Director (R&S), Dept. of Trade & Taxes.
9. President, Sales Tax Bar Association (Regd.), Vyapar Bhawan, I.P. Estate, New Delhi
10. President, Trade Associations, Delhi.
11. Guard File.

(Naveen Katarya)
VATO (Policy)